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# **HIGH PLAINS ENERGY INC.**

**2001 ANNUAL REPORT  
&  
NOTICE OF MEETING  
&  
INFORMATION CIRCULAR**

**HIGH PLAINS ENERGY INC.**

**Calgary, Alberta  
Canada**

**Notice of  
Annual and Special Meeting of Shareholders  
to be held on April 24, 2002**

**TO THE SHAREHOLDERS:**

**NOTICE IS HEREBY GIVEN** that the Annual and Special Meeting of the shareholders of High Plains Energy Inc. (the "Corporation") will be held at the Primrose Room – Mezzanine Level, Sheraton Suites, Calgary Eau Claire, 255 Barclay Parade S. W., Calgary, Alberta **on Wednesday, April 24, 2002 at the hour of 10:00 a.m.**, Calgary time, for the purposes of:

- (b) electing directors of the Corporation for the ensuing year;
- (c) appointing auditors of the Corporation for the ensuing year;
- (d) receiving and considering the financial statements for the fiscal year ended December 31, 2001 and the report of the auditors thereon;
- (e) approving the issuance of options to Mr. Harold E. Bowman to purchase 250,000 common shares of the Corporation;
- (f) considering and, if thought fit, approving additional private placement financings of up to 3,000,000 common shares to various arm's length parties of the Corporation at any time until the next annual meeting of shareholders, as may be approved by the board of directors of the Corporation having regard to the best interests of the Corporation and in accordance with the policies of The Canadian Venture Exchange; and
- (g) transacting such other business as may properly come before the meeting.

Shareholders who are unable to attend the meeting in person are requested to date, sign and return the accompanying instrument of proxy in accordance with the instructions contained in the accompanying Information Circular of the Corporation dated March 19, 2002, to the offices of VALIANT CORPORATE TRUST COMPANY, #510, 550 - 6th Avenue S.W., Calgary, Alberta, Canada, T2P 0S2 not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof, or to the Chairman of the meeting immediately prior to the commencement of the meeting, or any adjournment thereof.

DATED at Calgary, Alberta, this 19th day of March, 2002.

**BY ORDER OF THE BOARD OF DIRECTORS**

Signed *Harold E. Bowman*

*Harold E. Bowman*  
Harold E. Bowman,  
President

## QUICK SUMMARY: CORPORATE EVALUATION

December 31, 2001

(000's of Canadian Dollars except per share amounts)

PROVEN PRODUCING RESERVES	
Oil and Gas reserves-discounted at 10% (1)	\$ 5,897
Non- Producing oil and gas rights (2)	1,638
Current assets – liabilities (3)	198
Other assets – net (3)	<u>350</u>
<b>Total asset value</b>	<b><u>\$7,550</u></b>
<b>Total asset value per share (4)</b>	<b><u>\$1.53</u></b>

- (1) Evaluation of Citadel Engineering Ltd. effective January 1, 2002,  
Report Product prices modified March 18, 2002  
Product Prices used: \$C37.80/bbl of oil; \$C4.22/MCF of gas  
**Excluding:** Proven Developed Non-producing,  
Proven undeveloped , and, Probable Reserves.
- (2) Gross Acreage U.S. and Canada: 234,132 acres (90,402 Has)(Approximate).  
Net Acreage U.S. and Canada: 103,450 acres (39,942 Has) (Approximate).  
Lands Values estimates by Management
- (3) Audited Values.
- (4) Calculated on 5,280,669 shares outstanding at December 31, 2001.

## Message from the President

### HIGHLIGHTS

- ◆ 38% INCREASE IN CASH FLOW,
- ◆ 23% INCREASE IN NET INCOME
- ◆ 150% INCREASE IN CAPITAL EXPENDITURES
- ◆ 39,942 NET HAS. DEVELOPED AND UNDEVELOPED ACREAGE IN CANADA AND U.S.
- ◆ \$3,017,294 PROPERTY AND EQUIPMENT VALUE AFTER DEPRECIATION AND AMORTIZATION
- ◆ 2,450,000 BOE PROVEN AND PROBABLE CONSOLIDATED RESERVES (CANADA AND THE U.S.)
- ◆ \$1.53 ASSET VALUE PER SHARE (EXCLUDES PROVEN NON PRODUCING & PROBABLE RESERVES)
- ◆ SIGNIFICANT JURASSIC SAWTOOTH GAS TEST IN MONTANA (4.1MMCFD)

In 2001, the Corporation continued the acquisition of assets, exploited some of its undeveloped reserves, consolidated some of its holdings, and commenced several development projects which shall impact the Corporation for several years to come. Capital expenditures increased by 150% to \$1,762,448 from \$706,543 the previous year. Approximately \$1,000,000 was spent in Montana on lease acquisitions, drilling and completion costs. In Canada, approximately \$750,000 was spent on drilling and completion costs. Property and equipment values after depletion and amortization now total \$3,017,294 as compared to \$1,372,739 at 2000 year end.

The Corporation increased its income from operations (by approximately 52%) with a resultant 39% increase in cash flow to \$973,337. This was in spite of the fact that during the last quarter of the year gas prices plunged from a high near \$C14.00 per MCF in January to \$C2.72 in October; prices averaged \$6.30 per MCF during the year. Other factors which marred the year were the shut down of the Prairie Dell Gas Plant and facility due to market line interruption, the abandonment of the Ferrier Cardium well, and the shut-in of the Cheddeville 5-29 D-3 gas well.

Net Income for the year for the year increased by 27 per cent to \$773,128 from \$606,499 in 2000. Retained earnings were \$2,086,961 as compared to \$1,313,833 at the end of 2000. Working capital declined to \$193,667 due to the record and aggressive capital program carried out in 2001.

### Business Plan

The asset base and the financial strength of the Corporation continue to grow. The business plan is to continue a balanced program of exploration, development and when economics prove effective, by acquisition. Our undeveloped land inventory, now at more than approximately 81,696 Has. Gross, (39,942 Has.Net), provides us with considerable potential for exploration both in the United States and Canada. Our reserve potential is significant as well. Proven undeveloped and probable reserves in our Canadian projects and those added recently in our United States lands should be quickly evaluated prioritized and exploited.

### Montana

#### Hill County, Northwest Tiger Ridge ("The Atlantis Project"), and Blaine County . Tiger Ridge

The Atlantis joint venture continues to expand. To date more than 95,000 acres gross (50,000 acres net), have been acquired, and additional leases are under negotiation. Five test wells (approximately 2.05 after payouts) have been drilled. Three have been completed as potential Eagle Formation (Milk River) gas wells. Two wells are awaiting water disposal facilities and have been tied into a market pipeline. A third well, recently completed, awaits stimulation. The fourth Eagle Formation well may be used as a water disposal well. An exciting Jurassic Sawtooth well has been completed at a depth of 3600 feet and has been tested at an open flow of approximately 4.1 MMCFD. This well, Cejan 1-7D, (our net working interest after payout is 40.625%) is currently being tied into a market line; production is expected to commence late in the first quarter of 2002.

A geophysical (gravity) survey has been completed over the North Gildford gas pool; the results have indicated an elongate structure with several culminations along the major axis. A 3D seismic survey will be conducted to evaluate the structure prior to drilling the several potential offset locations.

The Corporation has participated with small working or royalty interests in four successful gas wells in Hill and Blaine Counties, Montana as a result of the 1997 Amoco acreage acquisition. One of the wells is on line at approximately 750 MCFD gross, 37 MCFD net and offsets the prolific Beverly well (on line since June, 2000 at at least 1,000 MCFD gross, 50 MCFD net). The other wells are generally of smaller interests and produce an aggregate of less than 100 MCFD net. These wells are all non-operated.

#### **Prairie Dell Field, Toole County.**

Two additional infill development wells have been staked while two suspended gas wells have been tied in and are on production. The first of this series was drilled in the second quarter of 2001, the other was drilled and suspended in 1993 prior to our acquisition of the property and comes now as a bonus.

#### **CANADA**

In **Saskatchewan**, in the **Maple Creek area**, the Corporation has a 25% undivided working interest in approximately 32 sections of land immediately south and west of the Hatton Upper and Lower Cretaceous shallow gas field. Six wells have been drilled and were scheduled for testing after cased hole logs had been run. The project has been delayed pending the evaluation by a new owner of its 75% interest. Petrophysical analysis of offsetting wells has been completed

In the **Senate area**, the Corporation now has an interest in 7 sections of land either within, near or adjacent to the Senate field which has produced a cumulative 40 BCF. An engineering evaluation of this property suggest proven reserves of approximately 3 BCF. These lands will also be considered for development in the first half of 2002.

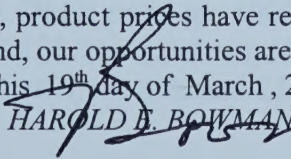
In the **Dollard area**, the Corporation has approximately 2,000 acres and a gross overriding royalty on another 160 acres which holds a producing Upper and Lower Shaunavon Oil well. A geological study has been completed to encourage a prospective farmee to jointly drill prospects mapped.

In **Alberta**, the **Craig Lake 6-24** well is shut-in because of low gas prices and high line pressures. **The 2-24-34-11W4** has been drilled and completed; the Viking Formation tested approximately 500 MCFD with water. The zone was plugged off and the well was completed and is on production as a modest Second Specks Gas well. The Viking zone will be reassessed when economic water disposal is available. The Corporation has interests in more than 1,000 undeveloped acres in the area with development potential. In the **Ferrier-Cheddarville area**, attempts at completing potential zones above the Cardium Formation were unsuccessful due to production casing cement incompetence, however, gas was recorded entering the bore. Management will attempt to redrill the well and exploit three zones shown as potentially hydrocarbon bearing. The Corporation's interests in the, **Waterton, Romeo, Atlee Buffalo, and Coutts areas** are being reviewed.

In summary, 2001 was a significant year. The Montana properties produced record incomes and have been expanded to offer excellent potential for future growth. A significant well was drilled to test the North Gildford Jurassic Structure where we have considerable offsetting acreage; the well tested 4.1 MMCFD and is being tied in to a market line less than 100 meters away. Gas potential was also observed in three uphole zones. In **Alberta**, two Craig Lake gas wells have been tied in; land is available to develop additional shallow reserves. In Ferrier the aborted recompletion confirmed gas potential in at least part of the Corporation's interest in three sections of land. In **Saskatchewan**, our lands offsetting the Hatton and the Senate Gas fields offer development potential. In addition to all of that, management will continue to pursue property acquisitions that consolidate our holdings in Montana, Alberta and Saskatchewan.

In spite of several setbacks (one always can do better), the Corporation's Reserves and Finances are strong and healthy, product prices have recovered somewhat. As the Canadian and U. S. economies now appear to be on the mend, our opportunities are considered almost infinite. We look forward to 2002 with fervent optimism.

Dated this 19<sup>th</sup> day of March, 2002.

signed  **HAROLD E. BOWMAN** President and CEO.

**QUICK SUMMARY: CONSOLIDATED OIL AND GAS RESERVES (1)**  
**As at December 31, 2001**

<b>CANADA</b> Crude Oil and NGLs (MBBLs)	<b>PROVEN DEVELOPED PRODUCING</b>	<b>PROVEN DEVELOPED NON-PRODUCING AND PROVED UNDEVELOPED</b>	<b>PROBABLE (2)</b>	<b>TOTAL</b>
<b>OIL RESERVES, MBO</b>	112	2	158	272
<b>NATURAL GAS (MMCF)<sup>3</sup></b>	<b>313</b>	<b>3,175</b>	<b>3,813</b>	<b>7,301</b>
PROVED DEVELOPED		2,317		2,317
PROVED UNDEVELOPED				
<b>NATURAL GAS (MBOE)</b>	<b>52</b>	<b>915</b>	<b>635</b>	<b>1603</b>
PROVED DEVELOPED AND UNDEVELOPED				

<b>UNITED STATES</b> Natural Gas (MMCF)				
<b>PRODUCING RESERVES</b>	2,554			2,554
<b>PROVEN UNDEVELOPED</b>		897		897
<b>RESERVES (MBOE)<sup>3</sup></b>	426	150		575

<b>CONSOLIDATED RESERVES (MBOE) CANADA AND U.S.</b>	<b>590</b>	<b>1,067</b>	<b>793</b>	<b>2,450</b>
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(NOTE:

(1) Based on an appraisal by Citadel Engineering Ltd. Dated January 1, 2002

(2) (2) DISCOUNTED 50%)

(3) (3) United States and Canadian reserves converted at 6,000 SCF/BOE

**Management's Discussion and Analysis**

The discussion and analysis of the financial condition and results of operations of the Company is to be read in conjunction with the audited financial statements for the years ended December 31, 2001 and 2000.

**Statement of Income Year Ended December 31, 2001**

**Revenues:**

Revenues from oil and gas sales net of royalty expense were \$1,414,325 in 2001 compared to \$1,212,618 in the previous year. The wellhead price of natural gas averaged Cdn.\$ 6.30 per thousand cubic feet (Mcf.) for sales from the Company's Montana properties in 2001 up from \$4.95 in the previous year. The Canadian wellhead price for natural gas averaged \$5.81 per Mcf. and \$33.39 per barrel for crude oil and natural gas liquids compared to \$3.39 Mcf. and \$41.12 barrel in the year 2000.

Interest and other income increased to \$232,800 from \$61,825 in 2000. The increase of \$171,000 was mainly due to inclusion of \$110,000 of insurance proceeds for loss of gas sales due to a compressor breakdown in the year 2000, adjustments to accounts payable of \$45,000 and increased royalty income of \$27,000.

**Expenses:**

Operating costs for 2001 of \$279,000 were approximately \$18,000 lower than in 2000. The shut in of the Chedderville 5-29-37-7W5 well reduced expenses by \$83,000 in the current year which was partially offset by costs attributable to the start up of Craig Lake 6-24-34-11W4.

General and administrative expenses increased by 16 per cent to \$324,972 from \$281,899 in the preceding year. The increase is primarily due to increases in reservoir and other engineering consulting fees (\$34,000) and accounting fees (\$9,000).

Depletion and amortization for the current year increased to \$132,209 from \$121,073. In the United States cost center expense increased by \$23,000 due to the large capital program conducted during the year. Depletion and amortization in the Canadian cost center declined by \$11,000 as there was a significant increase in proven oil and gas reserves used in computing depletion and amortization on the unit of production basis.

Income tax expense for the current year increased to \$109,311 of which \$41,311 is current income tax payable on the income of the Company's U.S. subsidiaries, which were not previously taxable. Future income taxes of \$68,000 represents the utilization of successor tax pools which are carried on the balance sheet as an asset and are charged to income when utilized.

Net income for the year increased by 23 per cent to \$773,128 (\$0.15 per share basic) from \$606,499 (\$0.13 per share) in 2000.

**Statement of Cash Flows Year Ended December 31, 2001**

Cash flow from operations for the year increased by 39 per cent to \$973,337 from \$701,572 in 2000.

Financing activity included \$143,400 in proceeds from the exercise of stock options by directors and officers and the repayment of \$71,129 owing to an officer.

Capital expenditures for the year increased 150 per cent to \$1,762,487 from \$706,543 the previous year. Montana expenditures of approximately \$1.0 million were spent primarily on lease acquisitions, and drilling and completion costs. In Canada approximately \$750,000 was expended in drilling, completion and equipping operations.

Working capital at year end 2001 declined to \$198,444 from \$849,130 at the beginning of the year due to the record capital program carried out in 2001



**KENWAY  
MACK  
SLUSARCHUK  
STEWART<sub>LLP</sub>**

Chartered Accountants  
[www.kmss.ca](http://www.kmss.ca)

## **High Plains Energy Inc.**

### **Consolidated Financial Statements December 31, 2001**

### **Auditors' Report**

To the Shareholders of High Plains Energy Inc.:

We have audited the consolidated balance sheet of High Plains Energy Inc. as at December 31, 2001 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Kenway Mack Slusarchuk Stewart LLP*

Calgary, Alberta  
March 5, 2002

220, 333 - 11 Avenue S.W.  
Calgary, Alberta T2R 1L9  
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## High Plains Energy Inc.

### Consolidated Balance Sheet

December 31, 2001

#### Assets

	<u>2001</u>	<u>2000</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 1,087,677	\$ 973,178
Accounts receivable	300,632	346,196
Prepaid capital expenditures	-	126,567
	<u>1,388,309</u>	<u>1,445,941</u>
<b>Refundable drilling deposit (Note 3)</b>	<u>77,540</u>	<u>72,604</u>
<b>Future income taxes (Note 8)</b>	<u>409,000</u>	<u>477,000</u>
<b>Property and equipment (Note 4):</b>		
Cost	4,137,938	2,375,450
Less - Accumulated depletion and amortization	<u>1,120,644</u>	<u>1,002,711</u>
	<u>3,017,294</u>	<u>1,372,739</u>
	<u>\$ 4,892,143</u>	<u>\$ 3,368,284</u>

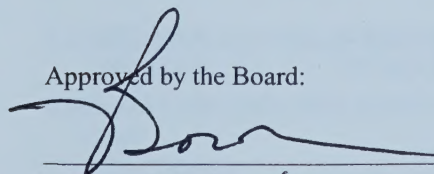
#### Liabilities


<b>Current liabilities:</b>		
Accounts payable	\$ 1,107,054	\$ 493,826
Income taxes payable	50,955	-
Due to director (Note 5)	<u>31,856</u>	<u>102,985</u>
	1,189,865	596,811
<b>Provision for future site restoration</b>	<u>136,577</u>	<u>122,300</u>
	<u>1,326,442</u>	<u>719,111</u>

#### Shareholders' Equity

<b>Share capital (Note 6)</b>	1,476,820	1,333,420
<b>Contributed surplus</b>	1,920	1,920
<b>Retained earnings</b>	<u>2,086,961</u>	<u>1,313,833</u>
	<u>3,565,701</u>	<u>2,649,173</u>
	<u>\$ 4,892,143</u>	<u>\$ 3,368,284</u>

Approved by the Board:

 Director.

 Director.



## High Plains Energy Inc.

### Consolidated Statement of Income and Retained Earnings

For the Year Ended December 31, 2001

	<u>2001</u>	<u>2000</u>
<b>Revenue:</b>		
Petroleum and natural gas sales, net of royalties	\$ 1,414,325	\$ 1,218,618
Interest and other	<u>232,800</u>	<u>61,825</u>
	<u>1,647,125</u>	<u>1,280,443</u>
<b>Expenses:</b>		
Operating	279,040	296,982
General and administrative	324,972	281,889
Depletion and amortization	132,209	121,073
Loss on foreign exchange	<u>28,465</u>	<u>-</u>
	<u>764,686</u>	<u>699,944</u>
<b>Income from operations</b>	882,439	580,499
<b>Gain on sale of property and equipment</b>	<u>-</u>	<u>56,000</u>
<b>Income before income taxes</b>	<u>882,439</u>	<u>636,499</u>
<b>Income taxes:</b>		
Current	41,311	-
Future	<u>68,000</u>	<u>30,000</u>
	<u>109,311</u>	<u>30,000</u>
<b>Net income</b>	773,128	606,499
<b>Retained earnings, beginning of year</b>	<u>1,313,833</u>	<u>707,334</u>
<b>Retained earnings, end of year</b>	<u>\$ 2,086,961</u>	<u>\$ 1,313,833</u>
<b>Earnings per share:</b>		
Basic	\$ 0.15	\$ 0.13
Fully diluted	\$ 0.14	\$ 0.13
<b>Weighted average number of shares outstanding:</b>		
Basic	5,030,318	4,661,226
Fully diluted	5,430,297	4,853,669



## High Plains Energy Inc.

### Consolidated Statement of Cash Flows

For the Year Ended December 31, 2001

	<u>2001</u>	<u>2000</u>
<b>Operating activities:</b>		
Net income	\$ 773,128	\$ 606,499
Items not involving cash		
Depletion and amortization	132,209	121,073
Gain on sale of property and equipment	-	(56,000)
Future income taxes	<u>68,000</u>	<u>30,000</u>
	<u>973,337</u>	<u>701,572</u>
Changes in non-cash working capital balances		
Accounts receivable	45,564	(101,604)
Prepaid capital expenditures	126,567	(126,567)
Accounts payable	613,228	151,982
Income taxes payable	<u>50,955</u>	<u>-</u>
	<u>836,314</u>	<u>(76,189)</u>
	<u>1,809,651</u>	<u>625,383</u>
<b>Financing activities:</b>		
Proceeds on exercise of stock options	143,400	-
Repayments to director	(71,129)	(72,307)
Share issue costs	-	(25,900)
Repayments of long-term debt	<u>-</u>	<u>(2,625)</u>
	<u>72,271</u>	<u>(100,832)</u>
<b>Investing activities:</b>		
Expenditures on property and equipment	(1,762,487)	(706,543)
Proceeds on disposal of property and equipment	-	280,000
Refundable drilling deposit	<u>(4,936)</u>	<u>(19)</u>
	<u>(1,767,423)</u>	<u>(426,562)</u>
<b>Increase in cash and cash equivalents</b>	114,499	97,989
<b>Cash and cash equivalents, beginning of year</b>	<u>973,178</u>	<u>875,189</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,087,677</u>	<u>\$ 973,178</u>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 530,017	\$ 243,409
Term deposits	<u>557,660</u>	<u>729,769</u>
	<u>\$ 1,087,677</u>	<u>\$ 973,178</u>



## High Plains Energy Inc.

### Notes to Consolidated Financial Statements

December 31, 2001

#### 1. Significant Accounting Policies

##### Consolidation

These consolidated financial statements include the accounts of High Plains Energy Inc. (the "Company") and its wholly owned subsidiaries, Griffon Petroleum, Inc. and Northern Gas Marketing Inc. The subsidiary companies are incorporated in the United States of America.

##### Petroleum and Natural Gas Property and Equipment

###### a) Capitalized costs

The Company follows the full cost method of accounting for exploration and development expenditures, wherein all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Capitalized costs include lease acquisitions costs, geological and geophysical activities, and costs of drilling productive and non-productive wells.

Proceeds from the disposition of petroleum and natural gas properties are applied to reduce the capitalized costs and no gain or loss is recognized on the disposal of petroleum and natural gas properties unless such disposition would significantly alter the rate of depletion.

###### b) Depletion

Depletion of petroleum and natural gas properties and amortization of well equipment are calculated using the unit-of-production method based on total estimated proven petroleum and natural gas reserves, before royalties as determined by the Company and independent engineers. Relative volumes of petroleum and natural gas reserves and production are converted to a common measure on the basis of their relative energy content. Other equipment is provided for on the straight-line basis at 20% per annum.

###### c) Ceiling test

The carrying amount of petroleum and natural gas properties and equipment, net of recorded future income taxes and site restoration accrual, is limited to the future net revenues from proven petroleum and natural gas reserves, less estimated future general and administrative expenses related to production, interest expenses and income taxes. The calculations are based on sales prices and costs in effect at the end of the fiscal year without escalation or discounting.

###### d) Site restoration costs

Provision is made for future site restoration costs, net of expected recoveries. This provision is charged against income as part of the depletion expense over the estimated life of the proven petroleum and natural gas reserves on the unit of production basis. During the year, an amount of \$14,277 (2000 - \$28,307) was recorded.

###### e) Joint ventures

A portion of the Company's exploration, development and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.



## High Plains Energy Inc.

### Notes to Consolidated Financial Statements

December 31, 2001

#### 1. Significant Accounting Policies (continued)

##### Measurement Uncertainty

The amounts recorded for depletion and depreciation of petroleum and natural gas properties and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

##### Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and term deposits with maturities of less than three months.

##### Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

##### Foreign Currency Translation

Monetary assets and liabilities of integrated foreign operations are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, liabilities, and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction, except for depletion and amortization. Depletion and amortization are translated at the same rate as the related assets. Gains or losses arising from foreign currency transactions are included in the determination of income.

##### Stock Options

No compensation expense is recognized when stock options are issued to employees.  
The consideration paid by the employee on exercise of stock options is credited to share capital.

##### Earnings Per Share

The Company has retroactively applied the Canadian Institute of Chartered Accountants' new accounting standard for earnings per share calculation and disclosure. Under the new standard, the treasury stock method of calculating per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

#### 2. Cash and Cash Equivalents

Term deposits bear interest at 1.85% and mature in January 2002.

#### 3. Refundable Drilling Deposit

The refundable drilling deposit is with the State of Montana and bears interest at 4.8%.



## High Plains Energy Inc.

### Notes to Consolidated Financial Statements

December 31, 2001

#### 4. Property and Equipment

	2001		2000	
	<u>Cost</u>	<u>Accumulated Depletion and Amortization</u>	<u>Cost</u>	<u>Accumulated Depletion and Amortization</u>
Petroleum and natural gas properties	\$ 3,613,658	\$ 937,715	\$ 1,952,840	\$ 842,781
Well equipment	504,503	167,859	402,833	148,815
Office furniture and equipment	<u>19,777</u>	<u>15,070</u>	<u>19,777</u>	<u>11,115</u>
	<u>\$ 4,137,938</u>	<u>\$ 1,120,644</u>	<u>\$ 2,375,450</u>	<u>\$ 1,002,711</u>

As at December 31, 2001, the estimated future site restoration costs to be accrued over the remaining proved reserves are approximately \$632,000 (2000 - \$645,000).

#### 5. Due to Director

The amount due to a director is unsecured, bears no interest and has no fixed terms of repayment.

#### 6. Share Capital

Authorized -

Unlimited number of the following classes of shares:

Common voting shares

First Preferred shares issuable in series

Second Preferred shares issuable in series

Issued -

Common Shares

	2001		2000	
	<u>Number of Shares</u>	<u>Amount</u>	<u>Number of Shares</u>	<u>Amount</u>
Balance, beginning of year	4,688,669	\$ 1,333,420	4,526,669	\$ 1,326,920
Issued on exercise of stock options	592,000	143,400	162,000	32,400
Share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,900)</u>
Balance, end of year	<u>5,280,669</u>	<u>\$ 1,476,820</u>	<u>4,688,669</u>	<u>\$ 1,333,420</u>



## High Plains Energy Inc.

### Notes to Consolidated Financial Statements

December 31, 2001

#### 6. Share Capital (continued)

##### Stock Options

A Stock Option Plan has been established for the benefit of directors and officers. The balances outstanding and transactions are summarized in the following table:

	2001		2000	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	442,000	\$ 0.20	372,000	\$ 0.20
Granted	660,000	0.29	242,000	0.20
Exercised	(592,000)	0.24	(162,000)	0.20
Forfeited (cancelled)	-	-	(10,000)	0.20
Outstanding, end of year	<u>510,000</u>	<u>\$ 0.27</u>	<u>442,000</u>	<u>\$ 0.20</u>

The exercise prices and expiry dates of options outstanding at year end are as shown in the following table:

<u>Number of shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
100,000	\$0.20	June 4, 2002
110,000	\$0.30	March 10, 2006
50,000	\$0.40	May 10, 2006
<u>250,000</u>	<u>\$0.25</u>	<u>November 21, 2006</u>
<u>510,000</u>		

The 250,000 stock options issued with an exercise price of \$0.25 are subject to approval of the shareholders.

#### 7. Other Income

During the year 2000, the Company experienced two disruptions in the production of gas from its properties in the United States due to the failure of equipment at a compressor station. The Company carries business interruption insurance and made two claims on this policy. During 2001, the Company received \$110,532 in respect of one of the claims and has included this amount as "other income" in the Consolidated Statement of Income and Retained Earnings. No amount has been accrued in the financial statements in respect to the second claim as the Company is not able to determine whether any amount will be received from the insurance claim.



## High Plains Energy Inc.

### Notes to Consolidated Financial Statements

December 31, 2001

#### 8. Income Taxes

Income tax expense differs from what would be expected from applying the effective income tax rate of 41.62% (2000 - 44.62%) to Canadian income and 34% (2000 - 15%) to United States income. The difference results from the following:

	2001			2000
	Canada	United States	Total	Total
Expected income tax provision	\$ 38,597	\$ 268,499	\$ 307,096	\$ 159,225
Increase (decrease) income tax provision:				
Change in tax rate	29,500	-	29,500	-
Statutory depletion	-	(39,218)	(39,218)	(10,794)
Previously unrecognized future tax benefits	-	(185,472)	(185,472)	(83,725)
Other	(97)	(2,498)	(2,595)	(34,706)
	<u>\$ 68,000</u>	<u>\$ 41,311</u>	<u>\$ 109,311</u>	<u>\$ 30,000</u>

The significant components of the Company's future income tax asset are as follows:

	2001	2000
Tax value of property and equipment in excess of net book value	\$ 788,000	\$ 994,000
Future site restoration	26,000	27,000
Share issue costs	<u>11,000</u>	<u>20,000</u>
	825,000	1,041,000
Valuation allowance	<u>(416,000)</u>	<u>(564,000)</u>
	<u>\$ 409,000</u>	<u>\$ 477,000</u>

The valuation allowance relates primarily to successor oil and gas tax pools which management estimates will not be utilized.



## High Plains Energy Inc.

### Notes to Consolidated Financial Statements

December 31, 2001

#### 9. Segment Disclosures

The Company has two reportable segments, the Canadian operations and the United States operations.

2001

	Canada	United States	Total
Oil and gas revenue, net of royalties	\$ 328,729	\$ 1,085,596	\$ 1,414,325
Interest and other	111,608	121,192	232,800
Operating and general and administrative expense	(328,607)	(275,405)	(604,012)
Depletion and amortization	(18,994)	(113,215)	(132,209)
Foreign exchange gain (loss)	-	(28,465)	(28,465)
Income taxes	<u>(59,748)</u>	<u>(49,563)</u>	<u>(109,311)</u>
Net income	\$ <u>32,988</u>	\$ <u>740,140</u>	\$ <u>773,128</u>
Identifiable assets	\$ <u>2,226,306</u>	\$ <u>2,665,837</u>	\$ <u>4,892,143</u>
Expenditures on property and equipment	\$ <u>747,616</u>	\$ <u>1,014,871</u>	\$ <u>1,762,487</u>

2000

	Canada	United States	Total
Oil and gas revenue, net of royalties	\$ 535,809	\$ 682,809	\$ 1,218,618
Interest and other	52,115	9,710	61,825
Operating and general and administrative expense	(397,654)	(181,217)	(578,871)
Depletion and amortization	(31,043)	(90,030)	(121,073)
Gain (loss) on sale of property and equipment	56,000	-	56,000
Income taxes	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Net income	\$ <u>185,227</u>	\$ <u>421,272</u>	\$ <u>606,499</u>
Identifiable assets	\$ <u>1,959,293</u>	\$ <u>1,408,991</u>	\$ <u>3,368,284</u>
Expenditures on property and equipment	\$ <u>417,095</u>	\$ <u>289,448</u>	\$ <u>706,543</u>

#### 10. Financial Instruments

The fair value of all the Company's financial assets and liabilities approximates their carrying value.

The Company is exposed to credit risk on the accounts receivable from its customers. The Company does not have a significant exposure to any individual customer.

The Company is subject to exchange rate risk as a portion of its working capital is denominated in U.S. dollars.

# **HIGH PLAINS ENERGY INC.**

## **ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2002**

### **INFORMATION CIRCULAR**

#### **Solicitation of Proxies**

**This Information Circular is furnished in connection with the solicitation by the management of High Plains Energy Inc. (the "Corporation") of proxies to be voted at the Annual and Special Meeting of the Shareholders of the Corporation (the "meeting") to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting (the "Notice of Meeting").**

Solicitations of proxies will be primarily by mail, but may also be by telephone, facsimile or oral communication by the directors, officers and regular employees of the Corporation, at no additional compensation. The cost of the solicitation of proxies will be borne by the Corporation.

#### **Appointment and Revocation of Proxies**

The persons named in the enclosed form of proxy are either officers and/or directors of the Corporation. **A shareholder desiring to appoint some other person (who need not be a shareholder) to represent such shareholder at the meeting other than the persons designated in the accompanying proxy may do so either by inserting such person's name in the blank space provided in the instrument of proxy or by completing another instrument of proxy and, in either case, delivering the completed proxy to the offices of Valiant Corporate Trust Company, #510, 550 - 6th Avenue S.W., Calgary, Alberta, T2P 0S2. A proxy must be delivered at least forty-eight (48) hours prior to the hour of the meeting or with the Chairman of the meeting immediately prior to the commencement of the meeting. A failure to deposit the proxy shall result in its invalidation.**

An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the meeting, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by such shareholders' attorney authorized in writing, or, if the shareholder is a Corporation, under its corporate seal and by an officer or attorney thereof duly authorized, and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting, or adjournment thereof, or in any other manner permitted by law, and upon any of such deposits the proxy is revoked.

#### **Exercise of Discretion by Proxies**

**The persons named in the accompanying proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them, including on any ballot which may be called for. In the absence of such direction, such shares will be voted FOR the election of the directors described herein, FOR the approval of the issuance of options to purchase 250,000 Common Shares of the Corporation to Mr. Harold E. Bowman, FOR the appointment of the auditors described herein; and FOR the approval of additional private placement financings of up to 3,000,000 Common Shares of the Corporation ("Common Shares"). The accompanying instrument of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to any other matters which may properly come before the meeting. At the time of printing this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.**

## Signature of Proxy

The proxy shall be executed by the shareholder or his attorney authorized in writing, or if a shareholder is a Corporation, the proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

## Voting Shares and Principal Holders

On March 5, 2002, the Corporation had outstanding 5,280,669 Common Shares, each carrying the right to one vote per share. To the knowledge of the directors and senior officers of the Corporation, the only person or persons or companies beneficially owning, directly or indirectly, or exercising control or direction over, Common Shares carrying more than ten percent (10%) of the voting rights attached to all Common Shares of the Corporation as at March 5, 2002 were:

Name and Municipality of Residence	Number of Common Shares	Percentage of Issued Shares
Harold E. Bowman Calgary, Alberta	1,548,000	29.31%

## Record Date

The directors of the Corporation have fixed March 5, 2002 as the record date for determining shareholders entitled to receive Notice of the Meeting.

Only shareholders of the Corporation of record as of that date are entitled to receive notice of and to vote at the meeting unless after that date a shareholder of record transfers his shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns the shares, requests not later than ten (10) days before the meeting that the transferee's name be included in the list of shareholders entitled to vote, in which case such transferee is entitled to vote such shares at the meeting.

## Executive Compensation

For the year ended December 31, 2001, the Corporation had four executive officers who received an aggregate of \$C126,242 in cash compensation. The aggregate value of all other compensation paid by the Corporation during the year ended December 31, 2001 did not exceed 10% of the aggregate cash compensation of the executive officers as set forth above.

The Corporation entered into an employment agreement effective January 1, 1995 with its President and Chief Executive Officer for an unlimited term. The agreement provides for an annual gross salary and benefits equal to \$74,385 at the 2001 weighted average exchange rate with the \$US (US \$48,026) subject to periodic review. In the event of termination of employment in certain circumstances, including termination following a change of control of the Corporation, the agreement provides for the payment to the President and Chief Executive Officer of an amount equal to two and one half times his current gross annual salary.

On April 29, 1998, the Corporation entered into a consulting agreement with Michael A. Williams, a director of the Corporation, to provide consulting services to the Corporation at a rate of \$600.00 per day plus reasonable out-of-pocket expenses. During 2001, Mr. Williams received \$17,332 for consulting services. On October 29, 1999, the Corporation entered into a consulting agreement with Hermen E. Leith, a director of the Corporation and Vice President, Production; to provide consulting services to the Corporation at a rate of \$50.00 per hour plus reasonable out-of-pocket expenses. During 2001, Mr. Leith received \$24,400 for consulting services. On May 18, 2000, the Corporation entered into a consulting agreement with Robin Chan, the Secretary of the Corporation; to provide consulting services to the Corporation at a rate of \$40.00 per hour, which was increased to \$45.00 per hour commencing July 1, 2001, plus reasonable out-of-pocket expenses. During 2001, Mr. Chan received \$10,125 for consulting services.

At the end of December 31, 2001 there was no indebtedness to the Corporation of any of the Directors or Senior Officers and no interests of any Insiders in any Material Transaction of the Corporation.

### **Compensation of Directors**

Directors of the Corporation are currently not remunerated for their services as directors other than by participation in the Management Stock Option Plan described below.

### **Stock Options**

The Corporation established a Management Stock Option Incentive Plan (the "Plan") in 1992 under which the Board of Directors or a committee appointed by the Board of Directors (the "Committee") may, from time to time, grant options to purchase Common Shares to directors, officers or employees of the Corporation. Subject to regulatory approval, the options will provide for the acquisition of Common Shares of the Corporation from the treasury of the Corporation at a price to be determined by the Board of Directors or the Committee at the time of granting the options, provided that the exercise price of such options shall not be less than that permitted by any stock exchange on which the Corporation's shares are listed for trading. The Board of Directors or the Committee will determine the exercise period for the options (not to exceed five years) and the vesting provisions with respect to the options. Common Shares equal to 10% of the Common Shares outstanding from time to time will be reserved under the Plan for issuance upon the exercise of any options granted. The purpose of the Plan is to develop the interest of the directors, officers and employees of the Corporation in the Corporation's growth and development by providing them with the opportunity through options on Common Shares to acquire an increased financial interest in the Corporation.

The Directors of the Corporation granted stock options on May 11, 2001 to Daniel Z. Remenda to purchase 50,000 Common Shares at an exercise price of \$0.40 with an expiry date of May 10, 2006 and on March 12, 2001 granted stock options to Harold E. Bowman to purchase 200,000 Common Shares\*, to William P. Kirker to purchase 50,000 Common Shares, to Hermen E. Leith to purchase 50,000 Common Shares, to Robin Chan to purchase 10,000 Common Shares and to Michael A. Williams to purchase 50,000 Common Shares. These options all have an exercise price of \$0.30 per share and an expiry date of March 10, 2006. The trading price of the common shares of the Corporation was \$0.27 per share on March 12, 2001 and was \$0.46 per share on May 11, 2001.

During 2001, Mr. Kirker exercised 50,000 options at an exercise price of \$0.20 and a further 50,000 options at an exercise price of \$0.30. During 2001, Mr. Bowman exercised 192,000 options at an exercise price of \$0.20 price and a further 200,000 options at an exercise price of \$0.30. During 2001, Mr. Leith and Mr. Williams each exercised 50,000 options at an exercise price of \$0.20. The aggregate net value of all options exercised during 2001 was \$57,280.

On December 9, 1998, the Directors of the Corporation sought and on January 19, 1999 gained approval from The Alberta Stock Exchange for the repricing of the exercise price from \$0.50 to \$0.20 for stock options previously granted to Mr. Wells to purchase 100,000 Common Shares. These options have an expiry date of June 4, 2002.

On November 23, 2001 the Directors of the Corporation granted to Mr. Harold E. Bowman an option to purchase 250,000 Common Shares of the Corporation at an exercise price of \$0.25 with an expiry date of November 21, 2006. The trading price of the Common shares of the Corporation on November 23, 2001 was \$0.30. **SEE MATTERS TO BE ACTED UPON AT THE MEETING below.**

At the end of 2001, there were 510,000 stock options outstanding including the 250,000 options to Mr. Bowman.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Election of Directors

The persons named in the accompanying instrument of proxy intend to vote for the election, as directors, of the nominees whose names are set forth below. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director, but if this should occur for any reason prior to the meeting, the persons named in the enclosed instrument of proxy reserve the right to vote for another nominee at their discretion in the absence of a direction to the contrary. Each director elected will hold office until the next annual general meeting or until his successor is duly elected or appointed, unless his office is earlier vacated. The Corporation is required to have an audit committee of its Board of Directors.

The following table and the notes thereto state the names of the persons proposed to be nominated for election as directors who are the current directors of the Corporation, all other positions and offices now held by them, their principal occupation or employment, the periods during which they have served as directors of the Corporation and the number of shares of the Corporation beneficially owned, directly or indirectly, by each of them, as at March 5, 2002. The information contained in this table is based upon information furnished by the respective nominees.

<b>Name, Municipality of Residence and Present Position with Corporation</b>	<b>Principal<sup>(4)</sup> Occupation</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned</b>
Harold E. Bowman <sup>(3)</sup> President, CEO Calgary, Alberta	President of the Corporation	June 24, 1991	1,548,000
Daniel A. Remenda Calgary, Alberta Director	Businessman	May 11, 2001	121,000
Hermen E. Leith Calgary, Alberta Director	Consultant Petroleum Engineer	October 28, 1999	50,000
Michael A. Williams <sup>(3)</sup> Calgary, Alberta Director	President, West Canadian Oil & Gas Inc.; Financial Consultant	May 26, 1998	77,100
Gregory L. Wells <sup>(3)</sup> Calgary, Alberta Director	Lawyer, Donahue Wells, Barristers and Solicitors	November 26, 1996	143,000

#### Notes:

- (1) All of the proposed nominees are ordinarily resident in Canada.
- (2) The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.
- (3) Messrs. Bowman, Wells, and Williams are members of the audit committee. The Corporation does not have an executive committee.
- (4) All of the directors and officers have been engaged for more than five years in the principal occupations indicated except for Mr. Williams, who prior to 1995 was Chairman and CEO of Gobi Oil and Gas Ltd., a public oil and gas exploration and development company, and who prior to 1993 was Chairman of Gobi Oil Ltd., private oil and gas exploration and development company; Mr. Wells, who prior to January 1, 1997 was a lawyer with Howard Mackie, Barristers and Solicitors, Calgary, Alberta; and Mr. Remenda, who prior to 2001 was president of Plains Peforating Ltd.

## **Appointment of Auditors**

Accordingly, the persons named in the enclosed form of proxy intend to vote for the appointment of **KENWAY MACK SLUSARCHUK STEWART, Chartered Accounts, as auditors for the Corporation**, to hold office until the next annual meeting of the Shareholders, at a remuneration to be approved by the Board of Directors of the Corporation. **KENWAY MACK SLUSARCHUK STEWART; Chartered Accountants**, have been auditors of the Corporation since June 6, 1999.

## **Financial Statements**

The financial statements of the Corporation for the year ended December 31, 2001, together with the auditors report thereon, will be received for consideration at the meeting.

## **Issuance of Stock Options to Mr. Bowman**

As previously stated, the Corporation has established a Management Stock Option Incentive Plan (the "Plan") pursuant to which options to purchase common shares in the capital of the Corporation are issued to directors, officers and employees of the Corporation in order to develop their interest in the growth and development of the Corporation.

Pursuant to the Plan, AND AS PREVIOUSLY STATED\*, on March 12, 2001, the Corporation granted options to purchase 200,000 Common Shares to Harold E. Bowman, President and Chief Executive Officer of the Corporation. Each option entitled Mr. Bowman to acquire one common share of the Corporation at a price of \$0.30 per share on or before March 10, 2006 after which time the options would expire. Mr. Bowman exercised these options on November 22, 2001. The Corporation granted an additional 250,000 common share purchase options ("Additional Options") under the Plan to Mr. Bowman on November 23, 2001. Each option entitles Mr. Bowman to acquire one common share of the Corporation at a price of \$0.25 per share on or before November 21, 2006 after which time the options would expire. These options have not yet been exercised and are currently outstanding.

As Mr. Bowman was granted options which could result in the issuance to him of greater than 5% of the issued and outstanding common shares of the Corporation within a 12 month period, the Canadian Venture Exchange Inc. has approved the issuance of the Additional Options to Mr. Bowman subject only to the approval of such issuance by a majority of the disinterested shareholders of the Corporation voting in respect of the option issuance.

Further to the foregoing, at the meeting the shareholders will be asked to consider and, if thought advisable, approve the issuance of the Additional Options. The full text of the resolution to be considered at the meeting to approve the issuance of the Additional Options will be substantially as follows:

"Be it resolved as an ordinary resolution of the shareholders of the Corporation that:

1. the issuance to Harold Bowman of 250,000 common share purchase options, each of which entitle Mr. Bowman to acquire one common share of the Corporation at a price of \$0.25 per share on or before November 21, 2006, be and is hereby confirmed, ratified and approved notwithstanding the fact that such option issuance could result in the issuance to Mr. Bowman of 5% or more of the issued and outstanding capital of the Corporation within a 12 month period; and
2. any one director or officer of the Corporation be and is hereby authorized on behalf of the Corporation to take all necessary steps and proceedings and execute, deliver and file any and all declarations, agreements, documents and other instruments and to do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution."

In order to be effective, this resolution requires the approval by the majority of votes cast by those shareholders of the Corporation who do not have an interest in the outcome of the foregoing resolution, Mr. Bowman will therefore abstain from voting in respect of this resolution.

## **General Approval of Private Placements**

Management of the Corporation has determined that current market conditions are such that it would be in the best interest of the Corporation to undertake further equity issuances. The additional funds raised by such equity issuances would be used to pursue and fund the ongoing business opportunities currently available to the Corporation in the oil and gas industry and the balance of the funds raised would be used as general working capital.

Such additional equity issuances may be undertaken pursuant to private placements, utilizing exemptions available pursuant to the applicable securities legislation and/or by an offering to the public by prospectus. The maximum total number of Common Shares to be issued pursuant to such equity issuances, whether in the form of Common Shares, warrants, or other convertible securities issuable by the Corporation, shall be 3,000,000 Common Shares. The method, structure and pricing of such equity issuances shall be determined in the sole discretion of the Board of Directors, provided such discretion is in full compliance with all relevant regulatory provisions and legislation. This matter does not normally require shareholder approval, but approval is being sought in order to comply with the policies and provisions of The Canadian Venture Exchange (the "Exchange").

In order to ensure compliance with the policies of the Exchange and to facilitate the financing requirements of the Corporation until the next annual general meeting, shareholders will be asked to pass the following resolution:

"RESOLVED THAT additional private placement financings of up to 3,000,000 Common Shares to various arm's length parties of the Corporation at any time until the next annual general meeting of Shareholders, as may be approved by the Board of Directors of the Corporation having regard to the best interest of the Corporation and in accordance with the policies of The Canadian Venture Stock Exchange, be approved, on such terms as the Board of Directors of the Corporation may, from time to time, authorize."

**In order to take effect, the ordinary resolution must be passed by a majority of votes cast by shareholders who vote in respect of the resolution. The Board of Directors recommends that shareholders vote for the approval of the ordinary resolution. The persons named in the enclosed form or forms of proxy intend to vote in favour of the ordinary resolution at the meeting unless otherwise directed by the shareholders appointing them.**

## **Other Matters**

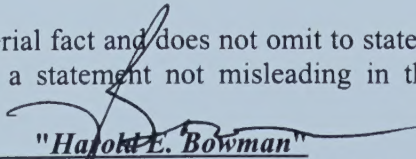
Management of the Corporation knows of no amendments, variations or other matters to come before the meeting other than the matters referred to in the Notice of Meeting.

## **General**

The contents and the sending of this Information Circular have been approved by the Board of Directors of the Corporation.

## **Certificate**

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

  
"Harold E. Bowman"

Harold E. Bowman, President,  
Chief Executive Officer and  
Chief Financial Officer

DATED: March 19, 2002



## **CORPORATE INFORMATION**

**Business office:** 2240, 444 - 5<sup>TH</sup> Ave. SW  
Calgary, Alberta T2P 2T8  
Tel. No. (403) 290-0078  
Fax No. (403) 266-5959  
Email: hedbowman@hotmail.com

**Registered Office:** Armstrong Perkins Hudson LLP  
2300, 530 – 8 Avenue S.W.  
Calgary, Alberta T2P 3S8

**Officers:** Harold E. Bowman, President  
Robin Chan, Secretary  
Hermen E. Leith, V.P. Prod  
all of Calgary, Alberta

**Directors:** Harold E. Bowman, Calgary  
Hermen E. Leith, Calgary  
Daniel A. Remenda, Calgary  
Gregory L. Wells, Calgary  
Michael A. Williams, Calgary

**Banker:** Hong Kong Bank of Canada  
333 - 5<sup>TH</sup> Ave. SW  
Calgary, Alberta T2P 3B6

**Solicitors:** Armstrong Perkins Hudson LLP  
2300, 530 – 8 Avenue S.W.  
Calgary, Alberta T2P 3S8

**Auditors:** Kenway Mack Slusarchuk Stewart  
220, 333- 11<sup>th</sup> Avenue SW  
Calgary, Alberta T2R 1L9

**Registrar:** Valiant Corporate Trust Company  
510, 550-6<sup>TH</sup> Avenue SW  
Calgary, Alberta T2P 0S2

**Listing:** Canadian Venture Exchange (CDNX)  
10<sup>TH</sup> Floor, 300 - 5<sup>TH</sup> Ave. SW  
Calgary, Alberta T2P 3L4

**TRADING SYMBOL “HYE”**